

The Effect of Selected Management Drivers on the Performance of Hotels in Kenya: A Case of Nairobi County

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Abstract: The main objective of this study was to evaluate the effect of the key management factors on the performance of hotels in Kenya. The specific objectives were; to evaluate the effect of organizational leadership on the performance of hotels, to assess the effect of organizational communication on performance of hotels, to evaluate the effect of organizational culture on the performance of hotels, to determine the effect of organizational structure on the performance of hotels. The study used Cross-sectional survey research design. The target population was all the 31 licensed hotels in Nairobi County. The sampling frame for this study was all the 31 licensed hotels in Nairobi as per the Kenya tourism authority listing. The sample size for the study was composed of 93 respondents. The key data collection instrument was the close-end questionnaire. The data was analyzed with the help of multiple regression analysis. The results revealed that organizational leadership, organizational communication, organizational culture and organizational structure had a positive and a statistically significant effect on the performance of hotels in Kenya and especially in Nairobi County in Kenya. All the coefficients of the independent variables were also positive. The study, recommended that the management should come-up with strategies that that focus on the management factors that affect the performance of hotels in Kenya.

Keywords: organizational culture, organizational structure, organizational communication, organizational leadership, hotel performance.

1. INTRODUCTION

The hotel industry in Kenya has experienced both bad and good times in its development history. In 2015 for example the annual average bed occupancy went down from 31.6 per cent in 2014 to 29.1 per cent. Room occupancy dropped from 38.1 per cent in 2014 to 37.2 per cent in 2015. In 2016 the number of hotel bed-nights available in hotels, lodges and other rooming houses grew by 1.6 per cent from 19,877.2 thousands in 2014 to 20,187.2 thousand in 2015. This performance was attributed to increased investment in the hospitality industry (ROK, 2016). This study was therefore guided by these changes in performance and the factors that were the likely causes of these fluctuations. Abebaw (2012), asserts that currently in Kenya the hotel industry is operating under high competitive business environment. This competition for market share among hotels and restaurants in the sector is on an upward trend. The author further notes, that the hotel industry is facing the challenges of globalization.

2. STATEMENT OF THE PROBLEM

Wangui (2013), asserts that due to liberalization and globalization, the service industry is facing a lot of competition and hence has to adapt to changes in order to excel. Wangui notes further that the hotel industry has also not been spared and is under a lot of pressure from consumers of its services to provide unique and efficient services. Chilla *et al.* (2014), concur that, the hotel industry like any other industries in Kenya is characterized with stiff competition and dynamic business strategies in the face of globalization which has exposed customers to highly differentiated products and services.

The hotel industry in Kenya is a key contributor to the economic growth. However over the last few years and especially between the years 2007 to 2016, the industry has faced mixed performance. In for example 2010 the sectors' performance reduced by 0.5%, in 2011 it grew by 4.1%, in 2012 it grew by 3.1 % and in 2013 it reduced by 0.3 % (ROK, 2013). These variations in growth show that the industry is undergoing tremendous challenges that are worthy in-depth investigation. In 2014 the industry activities recorded a deeper contraction to achieve a growth of 3.9% down from 14.6% growth in 2013.

This resulted to an estimated drop in beds occupancy, of sixty percent in coastal beaches hotels and twenty eight percent in Nairobi high class hotels. In 2015 the situation did not get better since the industry continued to record more contraction. The bed occupancy, which is a key performance indicator of the sector, remained on downward trend (ROK, 2015).

Although the hotel industry in Kenya has been facing the already stated big swings in performance, only a limited number of papers have looked into the problem more closely in an attempt to identify the sources of these fluctuations in performance. Abebaw (2012), for example while investigating how five star hotels position themselves to remain competitive in Kenya, noted that different hotels adopt different strategies in order to remain competitive. The study emphasized that strategic leadership, extensive staff training, personal communication, quality customer service, physical attractiveness, information technology, safety and security, range of products, price strategies and cultural strategic positioning were some of the key strategic factors that affected hotels performance.

Uzel (2015), Set to assess the effect of strategic management drivers on organizational performance of the hotels in the Kenyan coast. The study utilized customer relations management strategy, strategic competitive positioning, organizational learning, strategic planning and information communication technology, as the conceptualized variables that affect performance. Wangui (2013), uses consumer segments, emergence market, business model and quality service delivery in an attempt to explore their explanatory power to the performance level for hotels industry.

This study deviated from the previous researchers by focusing on the role played by the internal organizational management factors as it sought to answer the question, “What is the effect of selected management factors on hotels performance in Kenya?” The internal management factors that were assessed included: organizational culture, organizational structure, organizational communication and organizational leadership. This study therefore tried to seal this gap in knowledge.

3. GENERAL RESEARCH OBJECTIVE

The general Objective was to investigate the effect of selected management drivers on the Performance of hotels in Kenya

4. SPECIFIC RESEARCH OBJECTIVES

1. To evaluate the effect of organizational leadership on the performance of hotels in Kenya.
2. To assess the effect of organizational communication on the performance of hotels in Kenya.
3. To evaluate the effect of organizational culture on the performance of hotels in Kenya.
4. To determine the effect of organizational structure on the performance of hotels in Kenya.

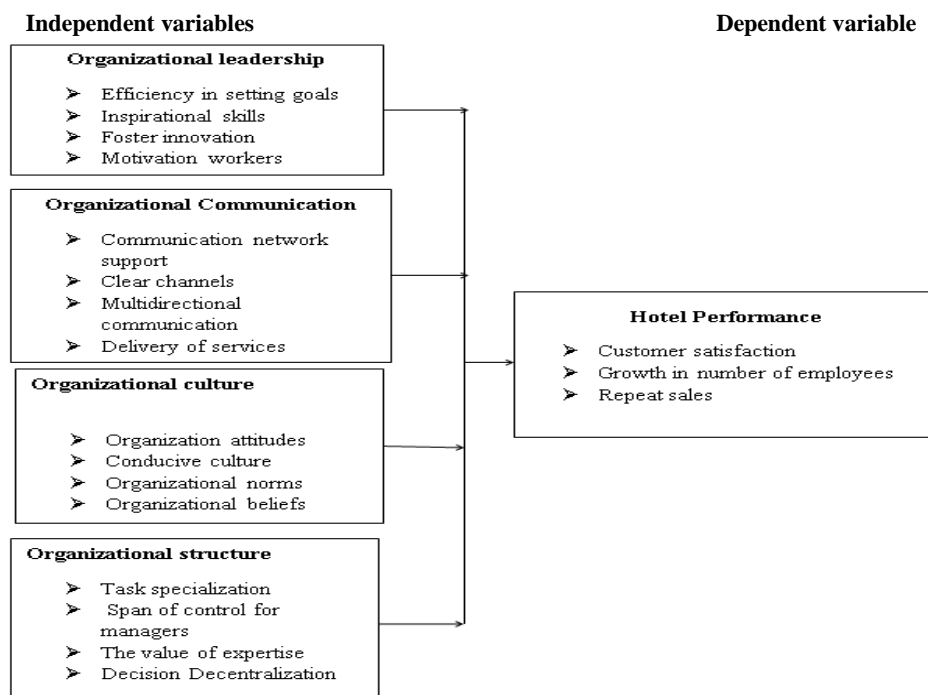


Figure 1. Conceptual Framework

5. REGRESSION ANALYSIS RESULTS

Table 1. Regression Results

Variables		Coefficients		t-statistic	p-value
			Standard. Error		
	(Constant)	1.240	0.400	3.100	0.002
	Organizational Leadership	0.272	0.068	4.000	0.000
	Organizational Communication	0.206	0.060	3.433	0.000
	Organizational Culture	0.179	0.062	2.887	0.005
	Organizational Structure	0.234	0.071	3.239	0.000
F=>127.927 P=> 0.000				Adjusted R-squared 0.86	

Regression equation

$$Y = 1.240 + 0.272 X_1 + 0.206 X_2 + 0.179 X_3 + 0.234 X_4 + \varepsilon$$

Where; Y = Hotel performance, X1 = Organizational Leadership, X2 = Organizational Communication, X3 = Organizational Culture, X4 = Organizational Structure, β_0 = Intercept, $\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients, ε = Error Term.

5.1 ORGANIZATIONAL LEADERSHIP:

From table 1, the regression coefficient of organizational leadership was found to be 0.272. This value shows that holding other variables in the model constant, an increase in leadership by one unit causes the hotel performance to increase by 0.272 units. The value of the coefficient is also positive. The positive effect shows that there is a positive relationship between leadership and hotel performance.

The coefficient was not just positive but also statistically significant with a t-statistic value of 4.000. A t-statistic value of 2.0 and above is normally accepted to be significant for inference analysis. The standard error was found to be 0.068 and the p-value was found to be 0.000. The variable was also found to be the most influential variable on the hotel performance in Nairobi county. These findings supports those of Mostashiri (2009), Wang, *et al.* (2010), Koech and Namusonge (2012), Men (2010) and Puni, *et al.* (2014), who found that leadership had effect on hotel performance. The interpretation was that leadership causes the hotel performance to increase. The hotel in Nairobi county should consider the effect of leadership to their hotel performance.

5.2 ORGANIZATIONAL COMMUNICATION:

From table 4.1, the regression coefficient of organizational communication was found to be 0.206. This value shows that holding other variables in the model constant, an increase in organizational communication by one unit causes the hotels performance to increase by 0.206 units. The value of the coefficient is also positive. The positive effect shows that there is a positive relationship between organizational communication and hotel performance.

The coefficient was not just positive but also statistically significant with a t-statistic value of 3.433. A t-statistic value of 2.0 and above is normally accepted to be significant for inference analysis. The standard error was found to be 0.060 and the p-value which shows the probability of getting a t-statistic value greater than the observed was found to be 0.000. The variable was also found to be the third most influential variable on the hotels performance in Nairobi county. These findings supports those of Zerfass and Shherzada (2015), Bakar and Mustaffa (2013), Chidiebere *et al.* (2015), Inedegbor *et al.* (2012), Guney, *et al.* (2012), and Mutuku and Mathooko (2014) who found that organizational communication had effect on hotels performance.

The interpretation was that organizational communication causes the hotel performance to increase. Hotels in Nairobi county should consider the effect of organizational communication to their hotels since organizational communication would have a direct positive effect on enhancing hotel performance.

5.3 ORGANIZATIONAL CULTURE:

From table 1, the regression coefficient of organizational culture was found to be 0.179. This value shows that holding other variables in the model constant, an increase in organizational culture by one unit causes the hotel performance to increase by 0.179 units. The value of the coefficient is also positive. The negative effect shows that there is a negative relationship between culture and hotels performance.

The coefficient was not just positive but also statistically significant with a t-statistic value of 2.887. A t-statistic value of 2.00 and above is normally accepted to be significant for inference analysis. The standard error was found to be 0.062 and the p-value was found to be 0.005. The variable was also found to be the least influential variable on the hotel performance in Nairobi county. These findings supports those of Himmer (2013), Aktas, *et al.* (2011), Aydin and Ceylan (2009), Ahamed and Shafiq (2014), Wambugu, (2014), Zakari, *et al.* (2013) and Olanipekun *et al.* (2013) who found that organizational culture had significant effect on hotel performance.

The interpretation was that better culture causes the hotel performance to increase. Hotels in Nairobi county should consider the effect good culture since culture would have a direct effect on enhancing performance.

5.4 ORGANIZATIONAL STRUCTURE:

From table 1, the regression coefficient of organizational structure was found to be 0.234. This value shows that holding other variables in the model constant, an increase in the organizational structure by one unit causes the hotel performance to increase by 0.234 units. The value of the coefficient is also positive. The positive effect shows that there is a positive relationship between organizational structure and hotel performance.

The coefficient was not only positive but also statistically significant with a t-statistic value of 3.239. A t-statistic value of 2.00 and above is normally accepted to be significant for inference analysis. The standard error was found to be 0.071 and the p-value was found to be 0.000. The variable was also found to be the second most influential variable on the hotel performance in Nairobi County. These findings supports, those of Massa and Zhang (2015), Stare (2011), Kagendo (2013), Al-Qataweh (2014) and Fadeyi, *et al.* (2015) who found that organizational structure had effect on hotel performance.

The interpretation was that improvement in organizational structure causes the hotel performance to increase. Hotels in Nairobi county should consider the effect of their organizational structure since structure would have a direct effect on improving their performance.

5.5 GOOD-OF-FIT STATISTICS:

The results in Table 1, indicates that the overall model was a good fit since the value of F-statistic was found to be 127.927 and it p-value was found to be 0.000 which is less than the critical value of 0.05. From table 1, the value of the adjusted R square was 0.86. This value clearly suggests that after adjusting for the degrees of freedom there is a strong relationship between, leadership, Communication, culture, structure and hotel performance. This indicates that leadership, Communication, culture, structure causes a variation of 86 % on hotel performance in Nairobi county. The interpretation is that selected management drivers considered in this study have a substantial effect on hotel performance and therefore should be considered carefully when making organizational policies.

6. CONCLUSION

The study concluded that organizational structure, organizational culture, organizational communication and organizational leadership in Kenya have influence on hotel performance. The findings that all the variables had a positive effect on hotel performance, was a good indication that management drivers considered in the study had explanatory power on hotel performance in Nairobi. Future research should be directed towards identifying more management factors that affect hotel performance. Good examples are, change management, technological changes, innovations and human resource management among other factors. From the regression model it was noted that the variables included were only able to explained 86 % of the variation in hotel performance. This study therefore recommends the improvement of this model by including more variables that are relevant in explaining the variation in hotel performance some of which have been mentioned above. This paper also recommends further research to include studies in other organizations apart from the hotels. The study also recommend that future researchers should extend their research in other forty six counties in the Kenya.

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